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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-173661

SEP 8 1971



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Dear Senator Hollings:

This is in response to your letter dated July 19, 1971, requesting a full investigation of Army purchasing procedures for food for personnel in Europe. You requested a specific report on a shipment of peaches from South Carolina to Europe, as well as some assurance that the Army's buying practices for food are in order.

As you know, the shipment of peaches was a joint promotional venture of the South Carolina Department of Agriculture and the South Carolina Peach Council. The objective of this effort was to expand the market of the South Carolina peach industry by shipping peaches to a private importer in Europe who would sell to the U. S. Army those peaches that met its specifications. The peaches that did not meet the Army's specifications were to be sold through commercial channels by the import agent. Although a contract was not entered into, the promotional plan was well received by Department of Defense officials prior to the shipment of peaches.

The shipment originated on June 24, 1971, at a packing plant in Sumter, South Carolina. An inspector of the U. S. Department of Agriculture (USDA) graded the shipment of 877 3/4 bushel boxes of Coronet variety peaches as being within the U. S. Standards established for grade U. S. Extra # 1. The certificate issued indicated that the size range was "generally 2 to 3 inches, mostly 2 to 2 1/2 inches" and that the peaches were "mostly hard, some firm" possessing 80 percent fancy color.

The peaches were loaded in a refrigerated shipping container and a representative of the South Carolina Department of Agriculture accompanied the container to The Netherlands to monitor the temperature controls and to record the temperature several times daily. The sealed container was cooled to a fairly even and constant temperature throughout. The refrigeration unit of the shipping container was in constant operation during the entire trip and maintained the temperature at the desired settings.

Upon arrival at the cold storage facilities of the importer in Zaltbommel, The Netherlands, on July 7, 1971, a preaward survey was made by a purchasing agent for the U. S. Army, Europe. His report recommended that the peaches not be purchased because they were 100 percent immature, hard, green to light green in color with sizes ranging from 1 3/4 to 3 inches.

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On the same day, representatives of the Agricultural Research Service, USDA, Rotterdam, were on hand to evaluate the arrival condition and reported that there was very little damage to the crates or peaches, less than 1 percent decay, and that the fruit would require 2-3 days at 70 degrees before being edible. A USDA representative took 3 boxes of the peaches, one each from the front, middle, and back of the container, to the USDA laboratories at Rotterdam for a ripening analysis.

On July 8, the day after arrival, the Army made a second survey--this time by a member of the Fresh Fruit and Vegetable Inspection Section. The purpose of this survey was "To see if the whole lot is fit to be considered for purchase." The inspector reported that the peaches did not meet the following U. S. Army, Europe, specifications.

	<u>Found</u>	<u>Required by Specifications</u>
Size	2-3 inches	2½ inches minimum
Color	light green turning yellow	turning yellow/yellow
Firmness	hard	hard only allowed on yellow peaches

The inspector told us while he had seen very little decay during his survey he wasn't really looking for defects of this kind since the shipment had already failed to meet specifications.

After this second survey, the importer resized the entire shipment to meet Army specifications of a 2½ inch minimum. On July 12, 1971, a representative of the Army Purchasing Department made a third preaward survey and reported that the "*** Fruit was fairly well colored, with excellent blush. Peaches had no indication of sweetness and very little peach aroma." Based on a sample size of 100 peaches, the inspector reported the following quality and condition defects:

<u>Defect</u>	<u>Pércent</u>
Decay	5
Bruises	6
Worm-holes	3
Immature	19
Undersize	50

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Meanwhile, at the USDA laboratory in Rotterdam, the 3 boxes of peaches were maintained at a temperature of 45° for 2 days, then half of the peaches were held at a temperature of 70° for 3 days and the other half was held at 60° for 4 days. The USDA representative reported that the fruit showed good ripening characteristics and eating quality and were very comparable with Italian fruit seen on the local market. However, bruising and decay increased as shown in the following statistics recorded by the USDA laboratory.

397 peaches at 45° - 2 days			191 Peaches at 60° - 4 days			191 Peaches at 70° - 3 days		
<u>Number</u>	<u>Percent</u>		<u>Number</u>	<u>Percent</u>		<u>Number</u>	<u>Percent</u>	
Bruising	2	.5	5	2.6		13	6.8	
Decay	10	2.5	31	16.2		32	16.7	

The USDA laboratory report indicated that most of the decay was on fruit that had been mechanically injured. It was not possible to locate the cause of the mechanical injuries since it could have happened at any point from the picking process to the point of delivery. The report also stated that most of the bruising recorded was slight in nature and would not detract from salability.

We discussed this matter with the Regulatory Branch, Fruits and Vegetables Division, USDA, which has as one of its main functions, the settlement of disputes between contractual parties in the commercial wholesale business of perishable fruits and vegetables. A representative of this Branch stated that if the case was presented to him, he would have to say that the Army had no basis for rejecting those peaches which met its buying requirements of $2\frac{1}{2}$ inches because (1) the certificate by the USDA inspector at the shipping point indicated that the fruit was mature and of good quality and (2) although the 3 boxes may not be representative of the entire shipment the laboratory analysis supported the conclusion in the USDA's initial report that the shipment arrived in good condition.

It was the consensus of the USDA representatives that the basic reason for the Army's rejection probably was the hard condition of the peaches upon arrival. The hard to firm condition was stated by them to be normal for shipping perishable fruit and it did not harm the ripening process at the market end as long as the fruit is mature. We were told that the fruit in this shipment had to be picked hard in contrast to fruit shipped by European growers whose travel times and distances are much shorter.

The United States Standards For Peaches established by the USDA defines maturity as meaning "that the peach has reached the stage of growth which will insure a proper completion of the ripening process." Immaturity is scored as a grade defect in the inspection process; however, the USDA inspector at the packing plant in South Carolina did not indicate any defect for immaturity in his sample of 600 peaches.

We contacted an experienced buyer of fresh fruits and vegetables of the Defense Supply Agency and asked him if he would consider buying peaches of the Coronet variety if they were "light green and turning yellow" in color. He advised us that, based on his experience, he would buy Coronet peaches of such color and that they would be perfect for anybody's use. He further stated that he would not buy yellow or ripe Coronet peaches because they would be overripe by the time they reached the ultimate consumer, whereas, by buying green peaches they would ripen in transit and on the commissary store shelves.

In its third preaward survey, the Army expressed concern about the worms and worm damage found in the peaches. USDA representatives indicated that a special effort was made by the Rotterdam laboratory to locate worms, worm holes or worm damage in the peaches after the laboratory was notified by the Army that a 3 percent defect for worm holes had been noted. The laboratory reported that each peach of the 3 boxes was examined and that there was no indication of worms, damage or holes in the 397 peaches. Also, the USDA inspector at the packing plant in South Carolina detected no worm damaged peaches in the sample he examined. Consequently, representatives of the USDA question whether the Army, in its inspection, noted actual worm damage.

On July 23, 1971, after spending more than two weeks in trying to get the Army to buy the peaches, the importer sold on the local market the peaches that were still in salable condition. At that time about half of the original shipment of the peaches had to be destroyed because of their deteriorated condition.

We were not present at any of the inspections nor did we see the shipment upon arrival in Europe. It appears, however, from examining available records and discussions with individuals who are experienced in the field of perishable fruits and vegetables, that good quality fruit was received by the importer in Europe. As a result, it seems that a portion of the shipment met Army specifications and should have been accepted for use by the military.

This situation points up inconsistencies in standards for inspecting food products by representatives of the Departments of Defense and Agriculture. In this regard, last year we completed a review of the inspection activities of these and several other agencies and issued a report to the Congress entitled, "Need to Reassess Food Inspection Roles of Federal Organizations" (B-168966, June 30, 1970). We are

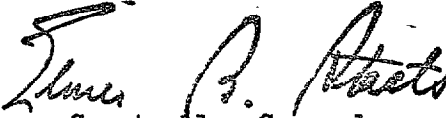
enclosing a copy of this report which identifies a number of problems that have arisen and points out the need for maximum standardization in requirements, procedures, and concepts to enable inspections to be made more effectively and economically.

3 In our report we recommended that the Office of Management and Budget (OMB) make a detailed evaluation of the food inspection function to determine the most effective method of improving the administration of this function. OMB started to follow-up on our recommendation but work was suspended pending implementation of the President's Departmental Reorganization Plan. This plan provides for consolidating some of the food inspection functions. 27

We have a review under way of the Army's procedures for purchasing food in Europe and will furnish you a copy of the report upon completion.

67 If we can be of further assistance, please let us know. We are sending a similar report to Senator Strom Thurmond.

Sincerely yours,


Comptroller General
of the United States

Enclosure

The Honorable Ernest F. Hollings
United States Senate

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